

Message Text

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PAGE 01 BONN 07468 01 OF 02 291740Z
ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
-----291757Z 056835 /44
P 291733Z APR 77
FM AMEMBASSY BONN
TO SECSTATE WASHDC PRIORITY 7853

C O N F I D E N T I A L SECTION 01 OF 02 BONN 07468

EXDIS

FOR THE SECRETARY FROM AMBASSADOR STOESEL

E.O. 11652: GDS
TAGS: PFOR, PINT, GW
SUBJECT: THE STATE OF THE SPD/FDP GOVERNMENT ON THE
EVE OF THE LONDON SUMMIT

1. I BELIEVE THE FORTHCOMING LONDON MEETINGS OFFER THE U.S. A CHALLENGE AND AN OPPORTUNITY. IN LONDON, SCHMIDT WILL LOOK FOR AREAS OF COOPERATION WITH THE U.S. WHICH HE BELIEVES WILL BE POLITICALLY FRUITFUL AT HOME. MOST IMPORTANTLY, HE WELCOMES AN OPPORTUNITY FOR A FACE-TO-FACE MEETING WITH THE PRESIDENT SO THAT HE CAN MAKE AN ASSESSMENT ABOUT WHERE THE U.S. IS HEADED IN FOREIGN AND DOMESTIC POLICY. WHILE HE WISHES TO DISCUSS PROBLEMS OF NON-PROLIFERATION AND, IN THAT CONTEXT, THE FRG-BRAZIL AGREEMENT, HE WOULD NOT WANT HIS MEETING WITH THE PRESIDENT -- AND, IN PARTICULAR, THE PUBLIC IMAGE OF THAT MEETING -- TO BE MONOPOLIZED BY A REVIEW OF OUR DIFFERENCES ON THAT TOPIC. HE WANTS, MOST OF ALL, TO KNOW WHAT WE AND THE FRG CAN AND WILL DO TOGETHER, WITHOUT IF POSSIBLE JEOPARDIZING OUR SEPARATE INTERESTS WHERE SUCH EXIST.

CONFIDENTIAL

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PAGE 02 BONN 07468 01 OF 02 291740Z

2. SCHMIDT IS A TOUGH-MINDED POLITICIAN WHO IS NOT PUT OFF BY FRANK AND OPEN DISCUSSION, PARTICULARLY SUBSTANTIVE DISCUSSION. HE WILL BE PREPARED FOR, AND INDEED WILL WELCOME, A FRANK TALK WITH THE PRESIDENT. SCHMIDT ALSO WANTS VERY MUCH TO ESTABLISH A PERSONAL RELATIONSHIP WITH THE PRESIDENT. HIS CONCERN WITH HIS OWN DOMESTIC POLITICAL PROBLEMS, AS IMPORTANT AS THEY ARE,

WILL NOT TAKE PRECEDENCE OVER HIS DESIRE TO WORK IN
CONCERT WITH THE UNITED STATES.

3. SCHMIDT WILL BE PARTICULARLY INTERESTED IN THE
PRESIDENT'S ASSESSMENT OF THE WORLD SITUATION, AS WELL
AS THE PRESIDENT'S VIEWS AS TO MEANS TO COME TO GRIPS
WITH GLOBAL PROBLEMS. HE WANTS TO KNOW WHAT WE WANT,
WHERE WE THINK WE ARE GOING, AND HOW WE PLAN TO GET
THERE. WHERE WE HAVE DIFFERENCES, HE WILL BE LOOKING
FOR SOME COMMON APPROACH UNDER WHICH THOSE DIFFERENCES
CAN BE SUBSUMED.

4. THIS WEEK'S DISCLOSURE OF A NEW FINANCIAL SCANDAL
IN BERLIN IS JUST ONE OF A SERIES OF SETBACKS SUFFERED
BY THE SPD RECENTLY. COMING AS IT DOES ON THE HEELS OF
A CHAIN OF FINANCIAL AND POLITICAL SCANDALS IN VARIOUS
SPD ORGANIZATIONS THROUGHOUT THE COUNTRY, IT HAS FURTHER
ERODED SCHMIDT'S POLITICAL POWER BASE. HE AND FOREIGN
MINISTER GENSCHER ARE NOW CONCENTRATING ALMOST ALL THEIR
ATTENTION AND ENERGY ON CONTAINING THEIR DOMESTIC
POLITICAL PROBLEMS SO THAT THE COALITION IN BONN CAN
SURVIVE.

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PAGE 01 BONN 07468 02 OF 02 291741Z
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C O N F I D E N T I A L SECTION 02 OF 02 BONN 07468

EXDIS

5. GIVEN THE GERMAN CONSTITUTION, THE SCHMIDT GOVERN-
MENT REMAINS FULLY IN COMMAND AS LONG AS THE SOCIAL/
LIBERAL MAJORITY IN THE BUNDESTAG HAS NOT BEEN AFFECTED
BY THESE POLITICAL DEVELOPMENTS, DESPITE THE EROSION IN
ITS POLITICAL AUTHORITY. THE PRESENT GOVERNMENT WILL

HOLD SO LONG AS THE FDP UNDER GENSCHER'S LEADERSHIP REMAINS LOYAL TO THE BONN COALITION AGREEMENT AND SCHMIDT CONTINUES TO HAVE THE STOMACH TO GOVERN. THOUGH THERE HAS BEEN SOME GRUMBLING IN THE FDP AND WE HAVE MORE AND MORE REPORTS THAT SCHMIDT IS MOODY, INTENSELY IRRITABLE AND THREATENING TO THROW UP HIS HANDS AT THE WHOLE MESS, SOME WHO HAVE SEEN HIM RECENTLY SAY THAT HE CAN STILL BE CHARMING AND INCISIVE DESPITE HIS DEEP SETBACKS.

6. IT MUST BE PARTICULARLY DEPRESSING TO SCHMIDT THAT ALL THIS IS HAPPENING JUST AS GERMANY'S INTERNATIONAL POSITION IS STRONGER THAN EVER. EQUALLY DEPRESSING MUST BE THAT SOME OF THE BASIC COMPONENTS OF GERMANY'S INTERNATIONAL POSITION -- THE EXPORT OF ADVANCED TECHNOLOGY AND A STRONG ECONOMY -- HAVE BROUGHT THE FRG INTO A CONFRONTATION WITH THE UNITED STATES. SCHMIDT FEARS THE DOMESTIC IMPACT OF WORSENING GERMAN-AMERICAN RELATIONS, BUT ALSO THAT OF YIELDING TOO CONFIDENTIAL

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PAGE 02 BONN 07468 02 OF 02 291741Z

OBVIOUSLY TO OUR VIEWS.

7. THUS, SCHMIDT BOTH WELCOMES AND FEARS THE UPCOMING MEETINGS IN LONDON. HE WELCOMES THEM BECAUSE HE HOPES FOR A POSITIVE POLITICAL FALLOUT AT HOME IF HE CAN IDENTIFY HIS GOVERNMENT WITH SUCCESSFUL INTERNATIONAL POLICY INITIATIVES. AT THE SAME TIME, HE FEARS THAT SUCCESS WILL BE ACHIEVED AT THE EXPENSE OF HIS OWN POLICIES. ON BALANCE, HOWEVER, SCHMIDT WANTS THE MEETINGS AND WILL TRY TO MAKE THEM HAVE A POSITIVE TONE. HE GENUINELY BELIEVES IN THE IMPORTANCE OF TRANSATLANTIC COLLABORATION AND US-GERMAN TIES, AND HE WANTS VERY MUCH TO DEVELOP WITH THE PRESIDENT AN OPEN AND ACTIVE RELATIONSHIP. LONDON IS THE FIRST STEP ON THAT ROAD. STOESEL

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